

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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In early January, industry watchers were treated to an early analysis on the health of one of Idaho's cornerstone industries in the report entitled *The Financial Condition of Idaho Agriculture: 2005 Projections*. This report provides timely estimates for Idaho farm cash receipts and farm income as well as concise analysis for several commodities and farm inputs. The report was prepared by University of Idaho agricultural experts Ben Eborn, Paul Patterson, and Garth Taylor. Their estimates arrive nearly nine months before the release of United States Department of Agriculture's initial estimates for 2005. This *Idaho Outlook* highlights the findings of the University of Idaho report. Readers interested in obtaining a copy of the full report should contact the University of Idaho Department of Agricultural Economics and Rural Sociology at (208) 885-6264.

Idaho's 2005 cash receipts from farm marketings are estimated to have grown 4% over the previous year to a record level of \$4.5 billion. The lion's share of this increase is due to the state's livestock cash receipts, rising \$180 million (7%) from 2004 to 2005. The increase was fairly evenly spread between its two largest components, cattle and calves and dairy sectors. Both of these categories grew at least 7% last year. The receipts from other livestock sales were down slightly (-2%) in 2005, but the strong cattle and calves and milk sales eclipsed this \$2-million drop.

Crops did not fare as well as livestock. Idaho cash receipts from crops declined \$25 million (-1%) compared to last year. Commodities experiencing lower receipts were: barley (-10%), hay (-3%), sugarbeets

(-11%), wheat (-1%), greenhouses (-6%), and other crops (-4%). However, not all crops suffered declines. It is estimated receipts for onions held steady in 2005 and beans and potatoes posted gains. Estimated potato receipts were up \$32 million (6%), reversing the slide that has occurred since 2002. Receipts from beans were up \$6 million (21%).

Net farm income is the industry's bottom line. Despite last year's record farm receipts, Idaho net farm income actually slid an estimated 4% in 2005. However, it should be remembered this decline follows 2004's outstanding performance. Specifically, Idaho net farm income grew an astounding 83% in 2004 to \$1.537 billion. So even after declining in 2005 to \$1.477 billion, Idaho net farm income was still much higher than the 10-year average of \$1.050 billion.

It is estimated that last year revenues increased by 1% to \$5.084 billion. Revenues consist of the value of crop production, livestock production, services and forestry, and government payments. It should be noted that value of crop and livestock production consist of cash receipts and the value of home consumption as well as the value of inventory adjustments. As the accompanying chart shows, not surprisingly, livestock made the largest

contribution to the total revenue increase of 1%.

Total Idaho farm expenses were estimated to be 3% higher in 2004 compared to 2005, \$3.607 billion versus \$3.488 billion. As can be seen in the table most expenses changed little from year to year, except for manufactured inputs, which rose 14%. Manufactured inputs include fertilizers, pesticides, fuel, and electricity. Despite this sizable jump, it should be noted that input prices for energy-related items did not increase as much as expected because of reduced utilization and the increases occurred late in the year.

Idaho Net Farm Income
(\$ millions)

	Calendar Year		
	2004	2005	Change
REVENUES			
Crop Production	1,944	1,856	-4%
Livestock Production	2,608	2,738	5%
Services & Forestry	321	323	1%
Government Payments	153	168	10%
TOTAL REVENUES	5,025	5,084	1%
EXPENSES			
Farm Origin Inputs	960	957	0%
Manufactured Inputs	599	684	14%
Other Inputs	783	801	2%
Vehicle Regist./Licensing	10	10	0%
Property Taxes	84	84	0%
Capital Consumption	319	322	1%
Payments to Stakeholders	732	748	2%
TOTAL EXPENSES	3,488	3,607	3%
NET FARM INCOME	1,537	1,477	-4%
Year-to-Year Change	83%	-4%	

SOURCES: 2004:Economic Research Service/USDA

2005:Forecasted by G. Taylor and B. Eborn, University of Idaho.

NOTE: Data for 2004 are preliminary estimates that USDA can revise for up to five years.

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General Fund Update

As of December 31, 2005

<u>Revenue Source</u>	\$ Millions		
	FY06 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income tax	1,096.7	502.0	508.0
Corporate Income tax	164.4	76.5	82.3
Sales Tax	836.4	453.8	458.1
Product Taxes ¹	23.2	12.1	12.1
Miscellaneous	108.4	42.2	47.5
TOTAL GENERAL FUND²	2,229.1	1,086.6	1,108.0

¹ Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
² May not total due to rounding
³ Revised Estimate as of January 2006

General Fund revenue exceeded December expectations by \$21.4 million. This is almost double the previous high for the current fiscal year of \$11.5 million set in September and October. Furthermore, December's high-water mark was achieved with an underlying revenue forecast that is over \$25 million higher than the forecast that was used during the first five months of this fiscal year.

Individual income tax revenue was \$6.0 million higher than expected in December. December's strength was due to filing payments that were \$8.4 million higher than expected for the month. This strength was partially offset by withholding collections that were \$2.3 million lower than expected for the month, and refunds that were \$0.1 million higher than expected. December's filing payments grew by 42.7% over the prior December, about

three times the 13.3% growth that was expected. Past experience with this component of the individual income tax indicates there is little correlation between December filing payments and either January's or April's performance.

Corporate income tax revenue was \$5.8 million higher than expected in December. The bulk of the month's gain was due to refunds being \$3.0 million lower than expected, and quarterly estimated payments that were \$3.3 million higher than expected for December.

Sales tax revenue was \$4.3 million higher than expected in December. Sales tax growth on a year-over-year basis was 11.7%, or almost double the 6% growth expected in December (these growth rates are for gross collections and are adjusted for the rate change that occurred July 1, 2005). This strength is

not due to vehicle sales (December was the fourth straight month of year-over-year declines), and is most likely the result of continued exceptional levels of construction activity.

Product taxes were again on target in December, but the miscellaneous revenue category was \$5.3 million higher than expected for the month. Unclaimed property accounted for \$3.5 million of the miscellaneous revenue excess in December, and reports from the Tax Commission suggest that December's high collections are actually "flow-through" dollars from a single firm that will be forwarded to other states in January. Two additional large bounces came from the Treasurer's interest earnings (ahead by \$0.8 million) and the insurance premium tax (ahead by \$0.5 million).